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No. T-32-10

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Toronto 7.

January 22, 64.

The Ontario Committee on Taxation

Dear Sirs: Re: MUNICIPAL TAXATION

The problem of revision of our system of municipal government in Ontario is largely one of finance. Additional revenues in the form of government subsidies, or new fields of taxation, are not as important as safeguards against wasteful, unwise and unnecessary expenditures. At present there is (in Toronto for example) no obstacle to municipal assessment and taxation being doubled and trebled.

The solution being political and economic in scope is all the more difficult. To understand the situation, it is helpful to review the history of government and its origin in the Baldwin Act of 1849. At that time real estate was practically the only form of wealth. Taxation was almost wholly for services that were of benefit to real property; sewers, waterworks, etc. The municipal franchise was limited to property owners. The municipal government was corporate in structure (viz. "The Corporation of the City of Toronto") and was under the jurisdiction of the Provincial government. This corporate structure is the distinction between municipal governments on the one hand, and Provincial and Federal governments.

By the early 1920's, it was recognized that with progressive changes in municipal life, particularly the increase in education and social welfare, there was an injustice in denying tenants representation on Councils and tenants were at that time given the municipal franchise. However, increased taxation created by social welfare services, that is, for services to persons as distinct from services to property, continued to be a charge on property—not the occupant. It was argued that as taxes increased, so did rents, and thus "Tenants pay the landlord's taxes." It was also maintained that in any event owners were protected, as only property owners are permitted to vote on "money by-laws". This protection was, however, almost completely nullified by a provision that councils have the alternative of securing Approvals of the Ontario Municipal Board.

This Board is essentially a judicial body. Its decisions are based on evidence submitted by the applicant—the municipal council. Where property owners are outvoted by tenants and therefore unlikely to get other than sympathy from council, they are handicapped in preparing and submitting their side of any question to the Board.

Existing legislation, giving property owners the right to vote on money by-laws, being ineffective, it should be replaced with a different type of safeguard. Why any safeguard? The theory that "Tenants pay landlord's taxes" says

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that the position of owners and tenants are equal. Under our system they are not. Their position would have been more nearly equal if, when tenants were enfranchised, a distinction had been made between expenditures on social welfare; affecting persons on the one hand and property on the other; and social welfare made a direct charge on the occupant—not the property. As matters now stand, tenants are in a position to create long term indebtedness on property owned by someone else. The effect of continuous increases in any mortgage indebtedness is to progressively absorb equities. Carried to the extreme, it can reach a point where equities are completely absorbed. In a democracy the right to own property is basic and ranks with freedom of speech and freedom of religion.

In considering this difference in the position of tenant and owner, it should be remembered that a municipal government is a corporation. In a private corporation, shareholders elect the president and directors; in a municipality, electors vote for mayor or reeve, and members of council. In a transaction with a private corporation the price of the goods and services includes taxes. One might say "the purchaser pays the corporation's taxes". It must be obvious why shareholders and not customers elect directors and control operations. A private corporation controlled by customers would have serious difficulties.

In a democracy protection of property is important but the voice of the majority is more important and is a far more significant factor. Any safeguard to replace property owners' (now ineffective) right to vote on money by-laws must also safeguard the right of the majority to have the final say and to this extent the remedy will be a compromise.

Efficiency in municipal business requires both long range planning and as much isolation as is feasible from politics. The larger the municipality, the more important this becomes. Long range planning by representatives who are elected for one year or even two is difficult. Even the two-year term is often opposed on the basis that a shorter term makes the politician more sensitive to public opinion.

The reason property owners were given a special position and the right to vote on money by-laws is that their investment is usually long term; so are municipal borrowings, which are based on their investment. Also it should be noted that theirs is the only form of wealth subject to confiscation by the government.

The crux of the problem is how to give property owners a special concern in efficiency in municipal government without giving them control. The objective being that of providing for an opportunity of studying various proposals affecting the community on a long range basis and also giving a voice when such proposals are before council.

It is suggested that such provision might take the form in a city like Toronto of an addition to present Board of Control: say four representatives elected by property owners for a period of five years. Under this, no other change need be made in the present municipal franchise. The effect, therefore, would be that such new representation would act largely in an advisory capacity. No change should be made in the present procedure necessitating approvals by the Ontario Municipal Board.

During a period of rising real estate prices, the need for more careful study, more long range planning and more efficiency in municipal government, is not so apparent. Unfortunately, as we know from experiences in former years, prices fluctuate. Uneconomic municipal taxation bears most heavily on the small home owner. Shelter, along with food and clothing, is a basic necessity. Housing standards have an important bearing on the social and economic life of the community. Increased carrying charges through increased taxation have the effect of lowering the standard of housing. All cities have huge areas where the houses are obsolete due to age and the areas are blighted. The only solution to better overall housing standards is to reduce housing costs.

This subject of better housing and slum clearnace has become such a political issue that an orderly approach to the problem seems almost impossible under present conditions. This is a subject that should receive a separate, impartial, unbiased examination and report. As long as it remains in the political field an orderly solution cannot be expected.

Respectfully submitted,

Signature,
Norman W. Long.